COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3567-01
Bill No.: SB 584
Subject: Tax Credits
Type: Original
Date: February 10, 2010

Bill Summary: This proposal requires a mandatory review and sunset of certain tax credit programs.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2011	FY 2012	FY 2013
Total Estimated Net Effect on General Revenue Fund	**$0**	**$0**	**$0**

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2011	FY 2012	FY 2013
Total Estimated Net Effect on Other State Funds	**$0**	**$0**	**$0**

Numbers within parentheses: ( ) indicate costs or losses.
This fiscal note contains 6 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2011	FY 2012	FY 2013
Total Estimated Net Effect on All Federal Funds	**$0**	**$0**	**$0**

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2011	FY 2012	FY 2013
Total Estimated Net Effect on FTE	**0**	**0**	**0**

☐ Estimated Total Net Effect on All funds expected to exceed $100,000 savings or (cost).

☐ Estimated Net Effect on General Revenue Fund expected to exceed $100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2011	FY 2012	FY 2013
Local Government	**$0**	**$0**	**$0**

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Joint Committee on Legislative Research - Oversight Division**, **Department of Agriculture**, **Joint Committee on Tax Policy**, **Department of Health and Senior Services**, and the **Department of Revenue** each assume the proposal would not fiscally impact their respective agencies.

Officials from the **Office of Administration - Budget and Planning** state the proposal requires the review and reauthorization of all new programs, and all tax credit programs, every three years. This proposal will have no direct impact on general and total state revenues, but may impact the administration of tax credit programs.

Officials from the **Department of Social Services (DOS)** state as it is written, this bill does not impact state revenue. However, if the reviews of the Joint Committee on Tax Policy do not result in renewal of tax credits, (no renewal is the default position) then total state revenue may increase. In the Social Services realm, the following tax credits were issued in 2009:

$ 858,589	Domestic Violence Shelter
$ 807,079	Maternity Home
$1,185,718	Pregnancy Resource Center
$2,851,386	Total in tax credits

This money is potential state revenue. This estimate is only based on the tax credits that DOS administers. The Residential Treatment tax credit was not included because the amount of the tax credit is reimbursed to the state by the agency receiving the credit, making the net impact zero. Whether or not this money will flow into state coffers depends on the action of the Joint Committee on Tax Policy.

Officials from the **Department of Insurance, Financial Institutions and Professional Registration (DIFP)** state it is unknown how Premium Tax revenue will be affected by the potential sunsetting of certain tax credit programs. Premium tax revenue is split 50/50 between General Revenue and County Foreign Insurance Fund except for domestic Stock Property and Casualty Companies who pay premium tax to the County Stock Fund. The County Foreign Insurance Fund is later distributed to school districts through out the state. County Stock Funds are later distributed to the school district and county treasurer of the county in which the principal office of the insurer is located. It is unknown how each of these funds may be impacted as a result of potential sunset of tax credit programs.

ASSUMPTION (continued)

Officials from the **Department of Natural Resources (DNR**) state under Section 135.820.1(1) of this proposal, the tax credits DNR is responsible for shall be reviewed and a report made to the general assembly by February 1, 2011.

The 8 year window for claiming a charcoal producers tax credit has expired and any remaining credits must be redeemed by December 31, 2012. No new wood energy tax credits shall be authorized after June 30, 2013. Alternative Fuel tax credits are authorized for tax years beginning January 1, 2009 and ending before January 1, 2012.

This proposal could also affect tax credits such as the State Historic Rehabilitation Tax Credit program offered by the Department of Economic Development which provides a degree of funding to the department's State Historic Preservation Office.

Initially, DNR would not anticipate a significant direct fiscal impact from this proposal. It is unknown whether or not the general assembly would reauthorize these tax credits. Therefore, the fiscal impact to the department from this proposal is unknown.

Officials from the **Missouri Housing Development Commission (MHDC)** state the bill proposes to have tax credits without current sunset clauses reviewed by the Joint Committee on Tax Policy and not be approved after 12/31/14 unless the General Assembly reauthorizes the programs. This could potentially result in the elimination of the two tax credit programs administered by MHDC. However, the fiscal impact to the state is unknown at this time, because it would be dependent on the future actions of the Joint Committee and General Assembly. Even if the tax credit programs were not reauthorized, there would still be on-going costs associated with the programs due to carry-forward provisions and because the Missouri Low Income Housing Tax Credit (Mo. LIHTC) is a 10 year credit. Also, while there is no fiscal impact to the state of applying a sunset clause, it would result in a reduction in the efficiency of the Missouri LIHTC, because uncertainty about the future of the program would reduce the price investors would be willing to pay for the credit.

Officials from the **Department of Economic Development (DED)** state the bill requires reviews of tax credit programs enacted after August 2003 if they don't have a sunset clause. It also requires the review of tax credit programs that were enacted before August 2003 that are not covered by 23.253 RSMo. The bill requires a decision on whether to continue the programs or sunset them in cases where there is a sunset clause. In cases where there is no sunset, the program also receives the same consideration. Continuation of programs or elimination of programs will have varying effects on General Revenue. The impact cannot be predicted until the results of the considerations by the committee.

ASSUMPTION (continued)

The continuance or sunset of varying programs could have differing impacts on DED. Even if programs are discontinued, DED may still be required to provide administrative support while the credits are redeemed. The administrative impact will be unknown but costs should not be any higher than currently budgeted, plus normal increases. Eventually, any eliminated programs may require changes in staffing and costs. DED assumes the impact of the bill would be unknown.

Oversight assumes this proposal, by itself, would not have a fiscal impact upon the state within the scope of this fiscal note. Oversight assumes Section 23.253 would not change the sunset dates of all programs established since August 28, 2003, but simply would implement a shorter sunset time period for all programs established after August 28, 2010 (effective date of this proposal).

Oversight also assumes subsection 135.820.2 could end tax credit programs after December 31, 2014. This is beyond the scope of this fiscal note. In FY 2009, roughly $553 million in tax credits were issued and roughly $588 million in tax credits were redeemed. Not all tax credit programs would be subject to the review specified in the proposal. Also, Oversight assumes many of the programs would be reauthorized by the General Assembly.

FISCAL IMPACT - State Government	FY 2011 (10 Mo.)	FY 2012	FY 2013
	$0	**$0**	**$0**

FISCAL IMPACT - Local Government	FY 2011 (10 Mo.)	FY 2012	FY 2013
	$0	**$0**	**$0**

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

FISCAL DESCRIPTION

The proposed legislation appears to have no fiscal impact.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Economic Development
Department of Agriculture
Department of Social Services
Department of Health and Senior Services
Department of Natural Resources
Department of Insurance, Financial Institutions and Professional Registration
Joint Committee on Legislative Research - Oversight Division
Office of Administration - Budget and Planning
Department of Revenue
Joint Committee on Tax Policy

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